MUKUND&ROHIT

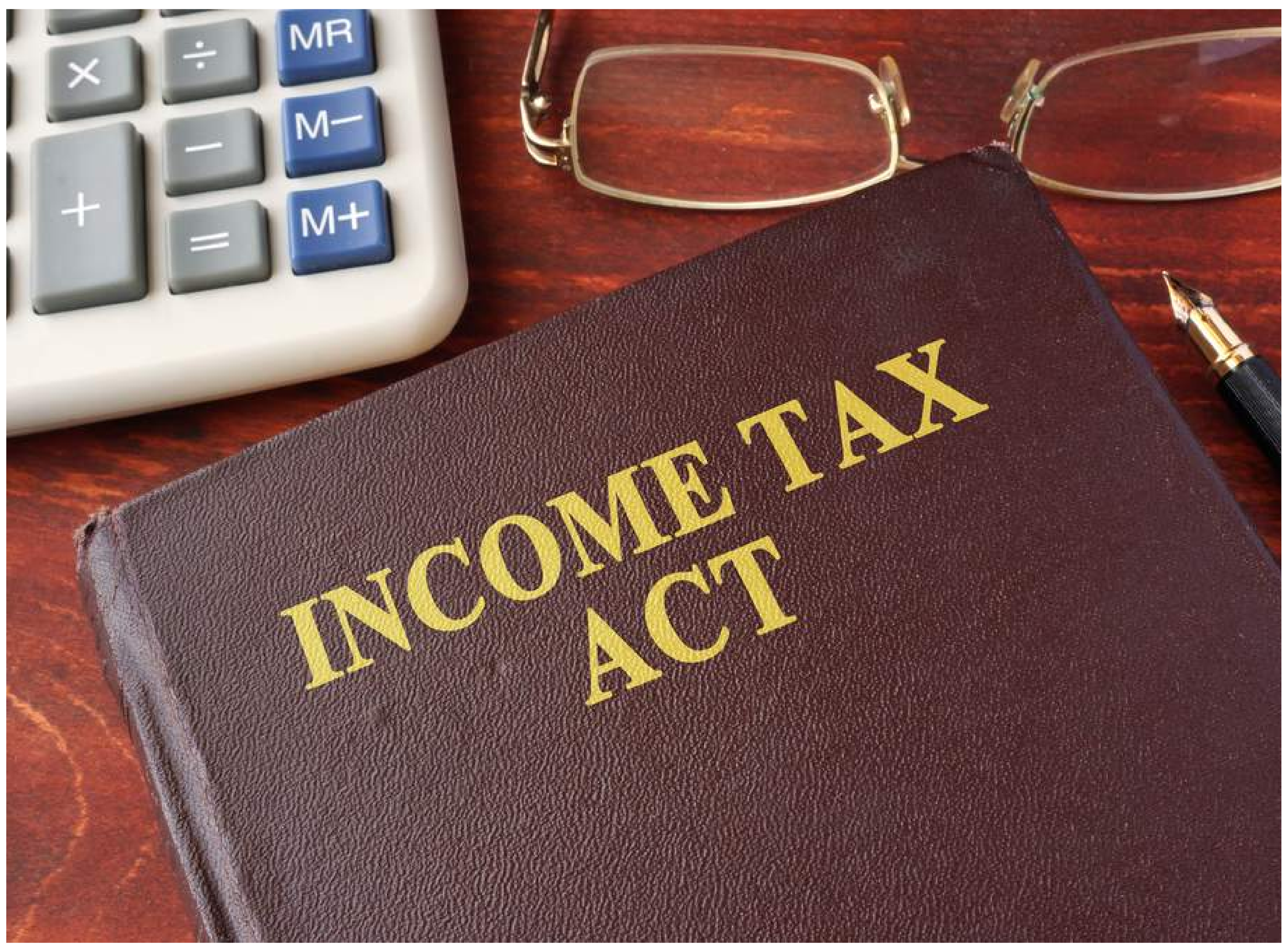
CHARTERED ACCOUNTANTS

NEWSLETTER

SEPTEMBER 2025

On Friday, August 29, 2025, the Indian rupee dropped to an all-time low of ₹88.09 against the US dollar. This marked a significant decline from its previous close of ₹87.58. The fall is linked to the recent 50% tariff imposed by the United States on Indian goods. This has raised worries about India's trade balance and economic growth.

GST 2.0 is set to simplify slabs, phase out cess, and ease compliance. While promising efficiency and consumer relief, it also raises questions on revenue and timing. This edition captures the politics, policy shifts, and professional impact.



The Income-tax Act, 2025, which received presidential assent on August 21, 2025, will replace the old 1961 Act and come into effect from April 1, 2026. It aims to simplify tax laws with a modern, digital-first framework by reducing the number of sections to 536 and introducing a single "Tax Year" concept, eliminating confusion around previous and assessment years. The new tax regime becomes default, offering progressive slabs from 0% up to 30%, with full tax rebate (₹60,000) on incomes up to ₹12 lakh, effectively making them tax-free. TDS provisions are consolidated, and capital gains rules streamlined. The Act also strengthens taxation on virtual digital assets and supports faceless assessments, signaling a major shift towards transparency, ease of compliance, and digitization in India's tax system.

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Income Tax Act, 2025

A Major Reform After Six Decades

The President of India has given assent to the Income Tax Bill, 2025 on **21st August, 2025**, and it has now been published in the Official Gazette. The new Income Tax Act, 2025 will come into effect from 1st April, 2026, replacing the six-decade-old Income Tax Act, 1961.

The legislation aims to eliminate redundant provisions, simplify legal language, and align tax laws with the evolving economic environment and advancements in technology.

Salient features of the Income Tax Act 2025

- Income tax is a form of direct tax that needs to be borne by the taxpayer. It cannot be transferred to another individual.
- The Central Government of India controls this form of taxation.
- Broader scope of Virtual Digital Asset.
- Dispute resolution and Digital Compliance reforms.
- Relaxed Income Tax Slab Rates
- The government levies a progressive income tax rate so that rich and economically powerful individuals have to pay taxes at higher rates.
- Deductions apply to a maximum limit per financial year in certain cases.

Provisions of The Income Tax Act 2025

There are some Important provisions under the Income Tax Act 2025:

- The introduction of the concept of Tax Year
- Use of modern mechanisms for compliance and a more structured tax recovery structure under Chapter XIX-D of the Act
- Provisions related to Tax on Updated Returns are covered under section 267 of the Income Tax Act 2025
- Procedure for Assessment
- Broader definition of Virtual Digital Asset under section 2(111)
- Consolidation of TDS provisions under one single section
- The rules cover the taxes of Indian taxpayers' on worldwide income, including their international earnings or investments.
- The Act provides for simplified taxation of capital gains, including provisions for both short-term and long-term capital gains.

How the Income Tax Department used AI to collect over ₹11,000 crore

Union Minister of State for Finance, Pankaj Chaudhary, informed the Lok Sabha on August 11, 2025, that AI-enabled processes have improved data accuracy, consistency, and integrity, helping the department identify risk cases and ensure fair communication with taxpayers.

AI Helps I-T Department Collect ₹11,000 Crore Through Updated Returns

The Income Tax Department has leveraged Artificial Intelligence-based analytics to detect taxpayers who underreported their income.

Over the last five years, this has led to an additional tax revenue of ₹11,000 crore through the filing of Updated Returns (ITR-U) for AY 2020–21 to AY 2024–25.

Impact:

- More accurate detection of tax evasion..
- Reduced scope for human bias and errors.
- Enhanced taxpayer trust with transparent digital notices.

Foreign Assets Disclosure via NUDGE Campaign

In November 2024, the department launched the NUDGE Campaign (Non-Intrusive Usage of Data to Guide and Enable Taxpayers) to encourage voluntary disclosure of foreign income and assets. Based on data received under the Automatic Exchange of Information, taxpayers received SMS and email nudges to report foreign holdings.

As Reported by Finance Ministry:

- 24,678 taxpayers filed revised ITRs for AY 2024–25.
- 5,483 taxpayers filed belated returns.
- Foreign assets worth ₹29,208 crore and foreign income of ₹1,089.88 crore were reported.

Conclusion

These developments mark a decisive shift towards a transparent, technology-driven, and taxpayer-friendly compliance ecosystem, aligning India’s tax administration with global best practices.

Indian Rupee Hits Record Low Amid US Tariff Pressures

The Indian rupee reached an all-time low on Friday, August 29, falling below ₹88 per US dollar due to rising economic pressures. This sharp drop was mainly caused by the US applying heavy tariffs on Indian exports, which shook investor confidence.

The rupee closed at ₹88.1950, down 0.65%. This marked its biggest fall in almost three months. It hit an intraday low of ₹88.3075 before suspected RBI intervention helped prevent larger losses.

❓Why the Rupee is Falling

1)Escalating US-India Trade Tensions

The rupee's sharp drop was mainly caused by the United States imposing a 50% tariff on Indian imports starting August 27, 2025. This raised concerns about a bigger fiscal deficit and slower GDP growth, particularly impacting important sectors like textiles, gems and jewelry, chemicals, and seafood.

2)Dollar Strength Ahead of US Inflation Data

The US dollar strengthened ahead of a crucial inflation report. This put pressure on the rupee, even though the dollar had a broader monthly decline. Analysts noted that the rupee's real effective exchange rate has become more competitive as a result.

3)FII Outflows Pressure the Currency

Foreign investors kept selling Indian equities, especially after the tariff news. This led to increased dollar demand as funds were sent back home. FIIs have pulled out over ₹1.60 lakh crore from Indian markets in 2025, bringing their market ownership to a 15-year low.

4)Weakness in line with Asian currencies

The rupee also came under pressure due to broader weakness in Asian currencies, which declined between 0.2% and 0.7% ahead of the release of the U.S. personal consumption expenditures (PCE) data.

Impacts of the Rupee's Fall

1) Imports Become Costlier

India-relies heavily on imports of crude oil, electronics, machinery, and raw materials. A weaker rupee makes these imports more expensive, raising input costs for businesses and fuel costs for consumers.

2) Inflationary Pressures

Higher import costs will push up the Consumer Price Index (CPI), especially in fuel and food categories.This may limit RBI's flexibility in cutting interest rates, as it will need to balance growth with inflation control.

3) Export Boost

Sectors like IT, textiles, and pharmaceuticals could benefit as their dollar revenues rise when converted into rupees.However, global demand uncertainty and tariff barriers may offset these advantages.

4) Impact on Businesses

Companies dependent on imported raw materials will face shrinking margins.Corporate borrowers with dollar-denominated debt will see repayment costs rise.

5) Stock Market Volatility

FII outflows weaken both the rupee and the stock markets.Export-oriented companies may gain, but overall investor sentiment could remain cautious.

6) Consumers & Households

Overseas travel, foreign education, and luxury imports will become more expensive.
Inflation may reduce disposable income, adding to the cost-of-living burden.

Analysts caution that if trade tensions with the US persist, the rupee could weaken further towards the ₹89 mark. While a softer rupee may provide some relief to exporters, the wider impact on inflation and capital flows remains a concern.

For India, the latest record low is a reminder of its vulnerability to global shocks, and underscores the need for a stronger policy response to stabilise the currency and reassure investors.

GST Reset: Fewer Slabs, No Cess, Bigger Stakes

Political Context

1.PMO-Led Push

By announcing GST reform at the Red Fort, PM Modi elevated it from a fiscal measure to a political priority. He followed up with a strategy session on 18 Aug 2025, bringing together ministers and economists-a rare example of the PM personally steering tax architecture.

2. Finance Minister's Role

Finance Minister Nirmala Sitharaman is anchoring the blueprint. She has circulated the draft to the Group of Ministers (GoM), emphasising that simplification will not come at the cost of state revenues.

3. State Politics and Federal Balance

The GoM, chaired by Bihar Deputy CM Samrat Choudhary, includes ministers from Kerala, UP, Rajasthan, Karnataka, and West Bengal. With opposition-ruled states in the mix, consensus-building is as much a political task as a fiscal one.

Policy Highlights

1.Slab Reduction & Simplification

The current four-tier structure (5%, 12%, 18%, 28%) will be reduced to two primary slabs-5% and 18%. A 40% peak rate will apply to a narrow basket of luxury and sin goods such as tobacco, SUVs, and aerated drinks. This addresses the long-standing demand for simplicity and removes much of the grey zone in classification disputes.

2.Cess Deletion & New Mechanism

The controversial compensation cess, which distorted pricing and created compliance overheads, will be phased out. Instead, the Centre is proposing a direct revenue-sharing levy-akin to an equalisation surcharge-credited transparently to state pools. This shift is meant to end years of litigation and opacity linked to cess treatment.

3.Mass Reclassification of Goods

Preliminary analysis suggests almost all items in the 12% category will shift to 5%, while close to 90% of the 28% category will move to 18%. Everyday consumer goods-packaged food, soaps, refrigerators, and entry-level ACs-will see lower GST outgo. Automobiles are among the biggest winners, with small petrol/diesel cars expected to move from 28%+cess to a straightforward 18%.

4. Revenue Impact

Analysts expect short-term revenue losses between ₹50,000 crore and ₹1 lakh crore annually. Citi Research (16 Aug) pegs the hit at 0.15% of GDP, while UBS (18 Aug) estimates around ₹1.1 lakh crore. The Centre is banking on improved compliance, higher consumption, and the new levy mechanism to cushion the blow.

support panel to navigate challenges, clarify technical doubts, and maintain high standards of professional practice.

Pros

- **Simplification:** Easier slab structure reduces disputes, compliance cost, and ambiguity.
- **Consumer-Friendly**: Lower GST on daily essentials and autos may directly boost demand.
- **Inflation Relief**: Lower indirect tax burden could cool CPI and allow RBI policy flexibility.
- **Transparency**: Phasing out cess improves invoice clarity and reduces hidden taxation.

Cons

- **Revenue Strain:** Shortfall of up to ₹1 lakh crore could affect fiscal space for welfare and infra.
- **Transition Costs:** Businesses will need system updates, fresh invoicing templates, and ITC recalibration.
- **Equity Concerns:** While consumers gain, fiscal pressure may shift burden indirectly via higher borrowing or reduced spending.
- **Timing Debate:** Critics argue rollout close to festive season and elections is politically motivated

Impact on CA Profession

- Routine GST filings will become more automated, reducing manual work.
- CAs can focus more on advisory, dispute resolution, and strategic tax planning.
- New tools and reforms create opportunities to guide clients in adopting tech-driven compliance.

GST 2.0 is more than a tax reform—it's a political economy exercise. By merging simplification with electoral timing, the government is betting that consumption gains will outweigh fiscal risks. For professionals and industry alike, the months ahead will test both the promise of efficiency and the politics of consensus.

Ultimately, its success will depend on how seamlessly policy translates into practice—and how well stakeholders adapt to the changing landscape.

September,2025

COMPLIANCE CALENDAR

TDS/TCS	
7	Payment for Aug 2025
14	Issue of TDS Certificates for tax deducted u/s 194-IA, 194-IB, 194M in Jul 2025
14	Issue of TDS Certificate for Non salary TDS returns.
31	Deposit of TDS u/s 194-IA on payment made for purchase of property in Aug 2025 in Form 26QB
31	Deposit of TDS u/s 194M for Aug 2025 on payments made to resident contractors or professionals greater than 50 lacs pa by individual/HUF not subject to tax audit in Form 26QD

Income Tax	
7	Advance Tax - 2nd installment(upto 45%) for A.Y. 2026-27
14	Due date for filing of audit report under section 44AB for the assessment year in the case of a corporate assessee or non-corporate assesse
14	Due date for filing of audit report under section 44AB for the assessment year in the case of a corporate assessee or non-corporate assesse

FEMA	
30	ECB-2 Return -By Borrowers of ECB through AD Bank for Aug2025

GST, INDIRECT TAXES & CORPORATE AND ALLIED LAWS	
10	Return for Authorities deduction Tax at source-GSTR7 for Aug 2025

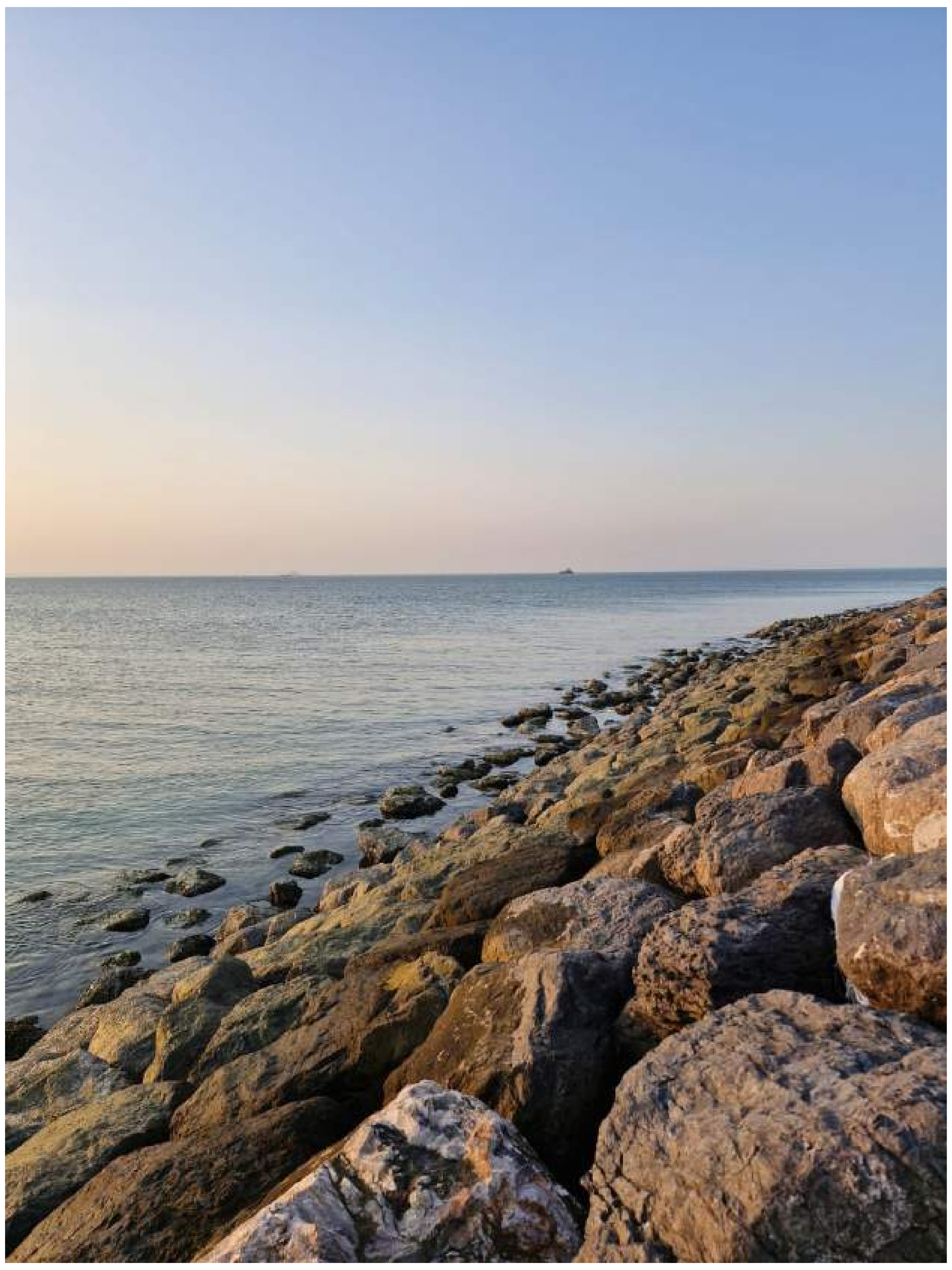
September,2025

COMPLIANCE CALENDAR

10	Details of supplies effected through e-commerce operator & the amount of tax collected-GSTR8 for Aug2025
11	Details of outward supplies of taxable goods and/or services effected – GSTR 1 for Aug 2025
13	Invoice Furnishing Facility (IFF) for Aug 2025 in Lieu of GSTR1 for QRMP Filers
13	Return for non-resident foreign taxable person – GSTR 5 for Aug 2025
13	Return for Input Service Distributor – GSTR 6 for Aug 2025
20	GSTR 3B for Aug 2025 if aggregate turnover above Rs. 5 crores
20	Return for OIDAR Service Provider – GSTR 5A for Aug 2025
22	GSTR 3B for Aug 2025 if aggregate turnover below Rs. 5 Cr (Note 1)
24	GSTR 3B for Aug 2025 if turnover below Rs. 5 Cr (Note 2)
25	Monthly Payment for July 2025 Through Challan PMT 06 for QRMP Filers
30	Professional Tax - Monthly Return Tax Liability of Rs.1,00,000/- & Above for Aug 2025
15	P.F & ESIC- Payment for Aug 2025

Note 1:For Andaman and Nicobar Islands,Andra Pradesh ,Chhattisgarh,Dadra&Nagar Haveli,Gujarat,Goa, Karnataka,Kerala,Lakshadweep,Madhya Pradesh,Maharashtra,Puducherry,Tamil Nadu,Telangana
Note 2:For Rest of India

CREATIVE CORNER



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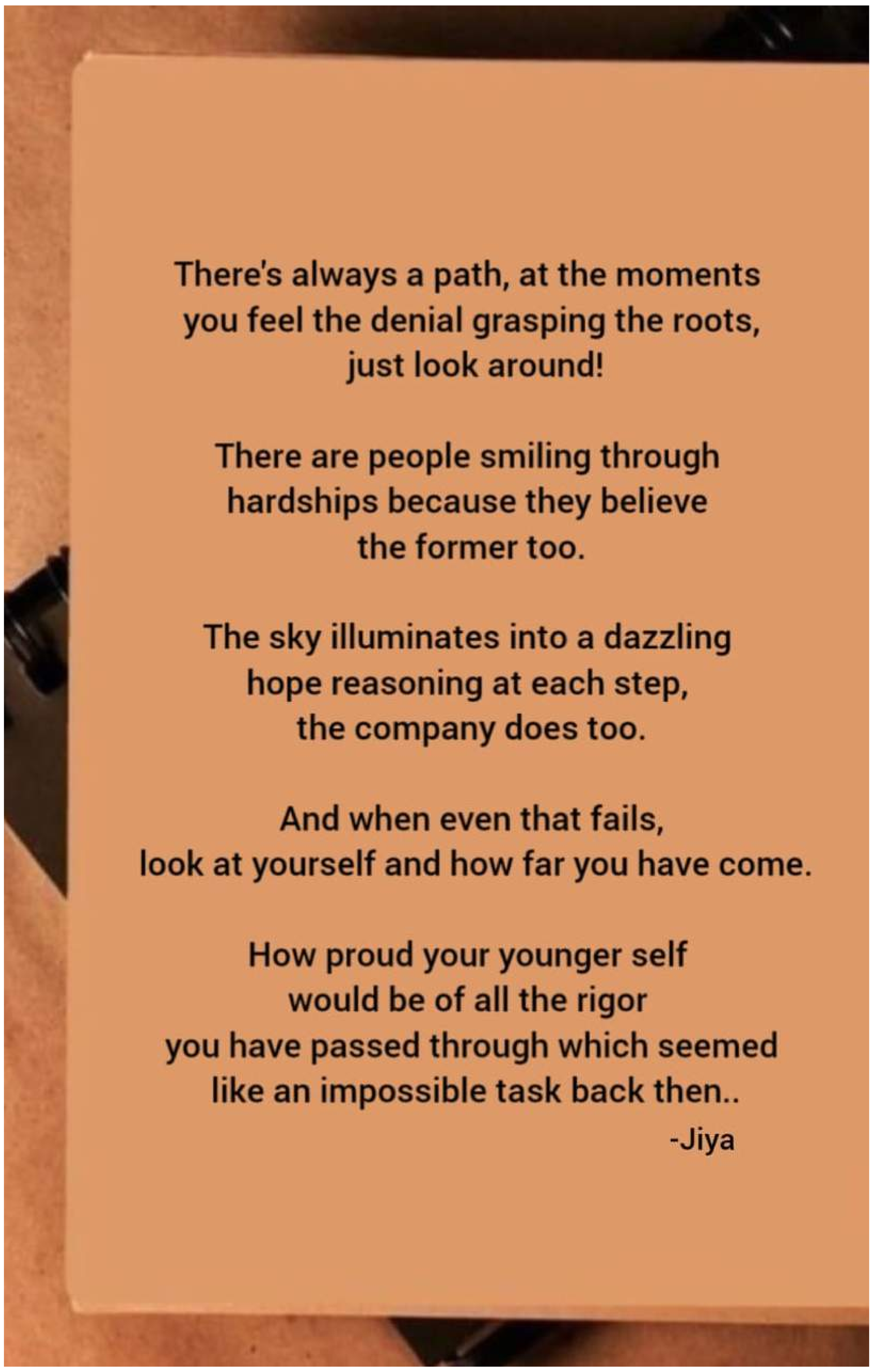

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